

## HOUSE BILL NO. 672

INTRODUCED BY BUTCHER

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A SCHOOL DISTRICT TO TRANSFER UP TO 10 PERCENT OF THE UNRESERVED FUND BALANCE OF THE GENERAL FUND TO THE SCHOOL FLEXIBILITY FUND FOR FACILITY REPAIR AND MAINTENANCE; AMENDING SECTIONS 20-9-104 AND 20-9-543, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 20-9-104, MCA, is amended to read:

**"20-9-104. General fund operating reserve.** (1) At the end of each school fiscal year, the trustees of each district shall designate the portion of the general fund end-of-the-year fund balance that is to be earmarked as operating reserve for the purpose of paying general fund warrants issued by the district from July 1 to November 30 of the ensuing school fiscal year. Except as provided in subsections (5) and (6), the amount of the general fund balance that is earmarked as operating reserve may not exceed 10% of the final general fund budget for the ensuing school fiscal year.

(2) The amount held as operating reserve may not be used for property tax reduction in the manner permitted by 20-9-141(1)(b) for other receipts.

(3) Excess reserves as provided in subsection (5) may be appropriated to reduce the BASE budget levy, the over-BASE budget levy, or the additional levy provided by 20-9-353.

(4) ~~(a) Any~~ Except as provided in subsection (4)(b), any portion of the general fund end-of-the-year fund balance that is not reserved under subsection (2) or reappropriated under subsection (3) is fund balance reappropriated and must be used for property tax reduction as provided in 20-9-141(1)(b).

(b) The trustees of a school district may transfer up to 10% of the unreserved fund balance of the general fund to the school flexibility fund provided for in 20-9-543 TO BE USED ONLY FOR FACILITY REPAIR AND MAINTENANCE.

(5) The limitation of subsection (1) does not apply when the amount in excess of the limitation is equal to or less than the unused balance of any amount:

(a) received in settlement of tax payments protested in a prior school fiscal year;

1 (b) received in taxes from a prior school fiscal year as a result of a tax audit by the department of  
2 revenue or its agents; or

3 (c) received in delinquent taxes from a prior school fiscal year.

4 (6) The limitation of subsection (1) does not apply when the amount earmarked as operating reserve  
5 is \$10,000 or less."  
6

7 **Section 2.** Section 20-9-543, MCA, is amended to read:

8 **"20-9-543. School flexibility fund -- uses.** (1) (a) The trustees of a district shall establish a school  
9 flexibility fund and may use the fund, in their discretion, for school district expenditures incurred for:

10 (i) technological equipment enhancements and expansions considered by the trustees to support  
11 enhanced educational programs in the classroom;

12 (ii) facility expansion, repair, maintenance, and remodeling considered by the trustees to support the  
13 delivery of educational programs or the removal and replacement of obsolete facilities;

14 (iii) supplies and materials considered by the trustees to support the delivery of enhanced educational  
15 programs;

16 (iv) student assessment and evaluation;

17 (v) the development of curriculum materials;

18 (vi) training for classroom staff considered by the trustees to support the delivery of enhanced  
19 educational programs;

20 (vii) purchase, lease, or rental of real property that must be used to provide free or reduced price housing  
21 for classroom teachers;

22 (viii) salaries, benefits, bonuses, and other incentives for the recruitment and retention of classroom  
23 teachers and other certified staff, subject to collective bargaining when applicable; or

24 (ix) increases in energy costs caused by an increase in energy rates from the rates paid by the district  
25 in fiscal year 2001 or from increased use of energy as a result of the expansion of facilities, equipment, or other  
26 resources of the district.

27 (b) If the district's ANB calculated for the current fiscal year is less than the ANB for the current fiscal  
28 year when averaged with the 4 previous fiscal years, the district may use money from the school flexibility fund  
29 to phase in over a 5-year period the spending reductions necessary because of the reduction in ANB.

30 (2) (A) The trustees of a district shall fund the school flexibility fund with the money allocated under

20-9-542, ~~and~~ with the money raised by the levy under 20-9-544, ~~and, at the discretion of the trustees, with a~~  
portion of the unreserved fund balance of the general fund as provided in 20-9-104.

(B) THE UNRESERVED FUND BALANCE OF THE GENERAL FUND THAT IS TRANSFERRED TO THE SCHOOL FLEXIBILITY  
FUND MAY BE USED ONLY FOR FACILITY REPAIR AND MAINTENANCE.

(3) The financial administration of the school flexibility fund must be in accordance with the financial  
administration provisions of this title for a budgeted fund."

NEW SECTION. **Section 3. Effective date.** [This act] is effective on passage and approval.

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